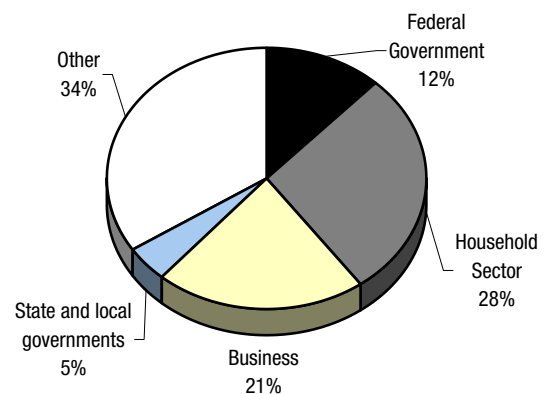


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2005 State Debt Medians

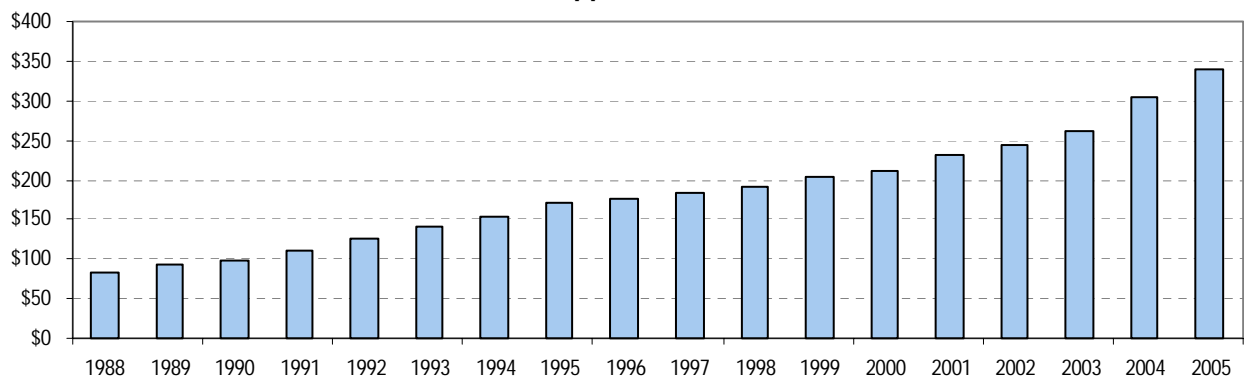
This special comment presents Moody's annual analysis of the 2005 State Debt Medians. The debt medians are based on two measures of state debt burden — debt per capita and debt as a percentage of personal income. They are based on the analysis of tax-exempt and taxable municipal obligations issued by each state and supported by the tax base, and are the debt burden measures most commonly used by municipal analysts. While debt burden is only one among numerous factors that determine a credit rating, it plays a significant role in Moody's determination of credit quality. This analysis also takes into account the measure of gross debt, which includes contingent debt liabilities that may not have a direct tax cost but are included in the audited financial statements of the states. For a detailed discussion of the measure of gross debt, please refer to Moody's 2001 State Debt Medians report.

% of Total Credit Market Debt by Sector



The 2005 State Debt Medians reflect net state tax-supported debt as of the end of calendar 2004.

Total Net Tax-Supported Debt of the 50 States (\$B)



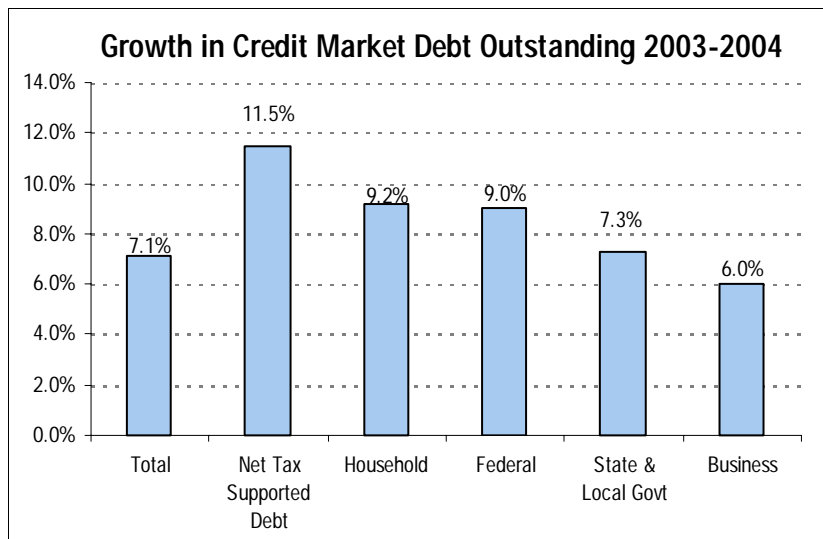
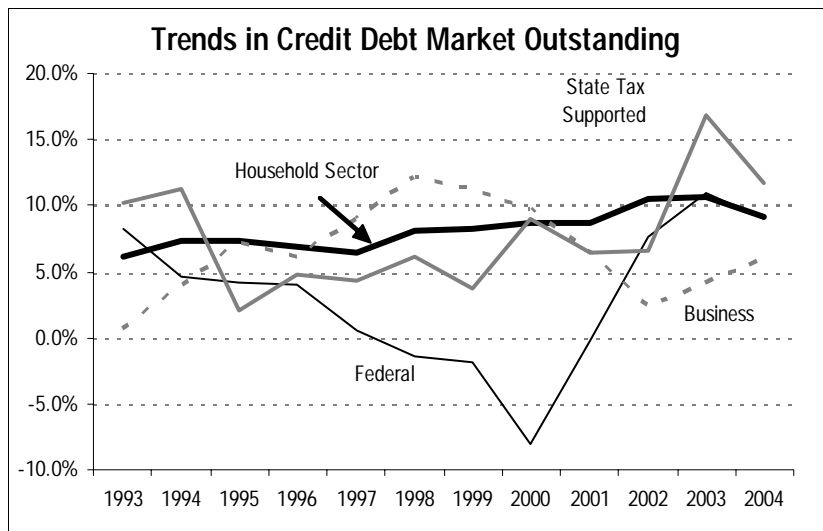
State Net Tax-Supported Debt Continued Rapid Rise in 2004

State net-tax supported debt rose 11.5% in 2004, down from the record 16.8% in 2003, but still well above the long-term growth rate since 1989 of 8.7%. The 30% increase in 2003 and 2004 was the fastest two year period since the early 1990s. Low market interest rates and growing capital needs for public infrastructure pushed issuance to high levels in 2004. Budget stress continued to force some states to utilize debt for operating budget relief and to supplement funding of public employee pensions.

Notable transactions in 2004 included the issuance of about \$11 billion in State of California Economic Recovery Bonds, \$2.3 billion in deficit funding bonds by the State of New Jersey (in two separate transactions, one funded by cigarette tax revenue and the other by motor vehicle surcharges), \$2.5 billion by the NYC STAR Corp. to refund outstanding NYC MAC (Municipal Assistance Corporation) debt with debt supported by state sales taxes, and \$500 million by the Kansas Development Finance as pension obligation bonds. In addition, the New Mexico Finance Authority issued \$1.1 billion in transportation revenue bonds and the state of Illinois also sold \$800 million of Unemployment Insurance Fund bonds. Texas also sold \$1.37 billion in Unemployment Compensation Fund bonds.

The persistence of low interest rates has enabled states to finance critical capital infrastructure at relatively low costs. The recent recession took a toll on state revenues and forced cutbacks in pay-as-you-go capital spending in favor of debt issuance to provide budget relief. With the recovery of state finances, demands for capital projects for schools, roads, environmental protection and public universities is again growing rapidly. In addition, as Medicaid spending absorbs an increasing proportion of state budgets, the need to fund capital projects with debt rather than cash is also growing.

Despite the growing issuance of debt by states, overall state debt burdens remain relatively low and stable. While state debt per capita and debt to personal income have risen slightly in recent years, state debt burdens are still manageable and debt service accounts for a small of total state spending.



Strong Federal and Household Debt Growth in 2004

Total debt outstanding in the overall U.S. credit markets grew at a rapid 7.1% rate, led by the federal government and household sectors. The household sector accounts for about 28% of total credit market debt and was the fastest growing sector, increasing at a 9.2% growth rate. This sector has had, on average, a 9.4% growth rate over the past 5 years, providing a critical element of stability to the economy. Consumer spending, bolstered by household borrowing, has been a consistent strength of the economy.

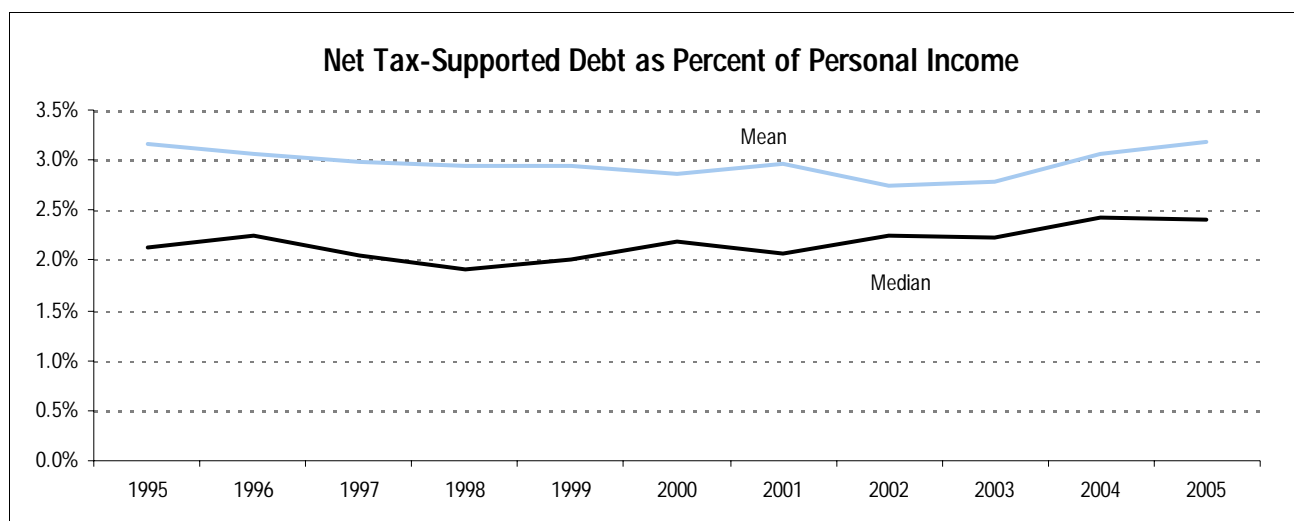
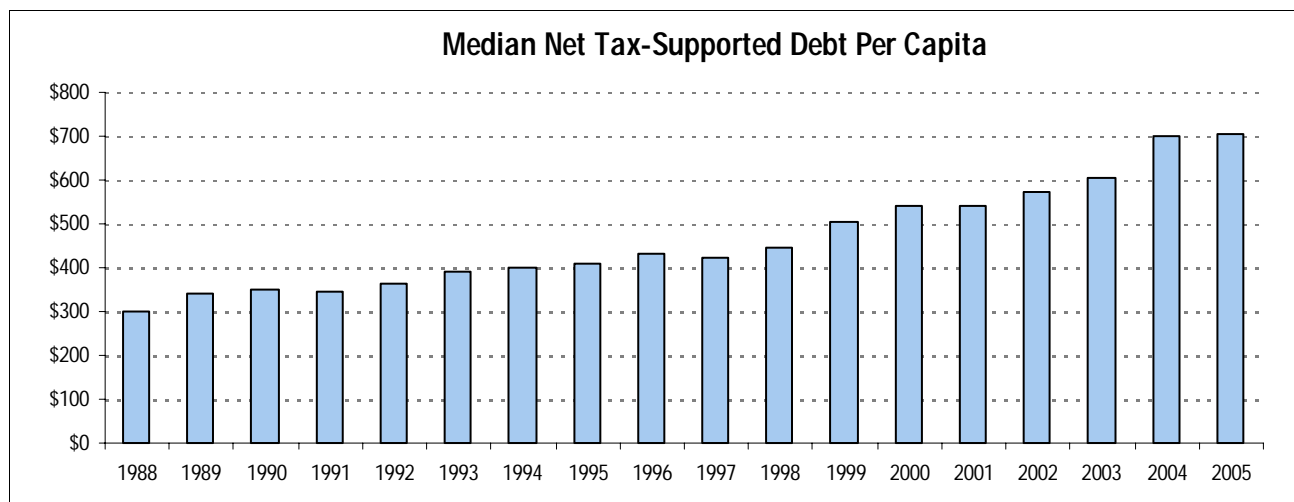
The federal government continued its trend of rapid borrowing, growing by 9.0% in 2004. The federal government's borrowing accounts for 12% of the total credit market debt and it has increased rapidly to finance federal deficits resulting from tax cuts, increased federal spending for national defense, homeland security and healthcare costs.

Business sector debt, one of the larger components of credit market debt at 21%, continued to increase slowly reflecting the continued availability of unused manufacturing capacity and the slow pace of business expansion and job growth. Business borrowing is below the 10-12% growth rates of 1998-2000, growing at an average annual rate of only 4.2% from 2001-2004.

State Debt Growth Should Continue Its Rapid Pace in 2005

Median debt per capita increased only 0.3% in 2004, from \$701 to \$703, while median debt to personal income remained steady at 2.4%, the highest level since 1987. Mean ratios reflect the rapid growth in total debt issuance with debt per capita growing 5.8% and mean debt to personal income growing to 3.2% from 3.1%. This reflects the higher volume issuance of debt by the larger issuer states, including California, New York, Illinois, New Jersey and Florida.

With fiscal recovery underway in most states, operating budget needs to fund dramatically rising healthcare costs, K-12 public education and public employee retirement system costs are consuming most of the additional cash resources that are now becoming available to states. Consequently, states will continue to look to debt to finance their growing capital needs, even as their finances strengthen in the post-recession period. While most states' debt ratios remain low, the trend of increasing state debt leveraging is likely to persist.



Outlook

As the national economy recovers, most states are benefiting from improved revenue growth while other states still lag. Even though the period of severe revenue deterioration has passed, revenue recovery will not be sufficient to support the rapidly growing spending needs in Medicaid, pension costs and K-12 education spending. State budgets will remain tight while the demands for capital spending are strong.

As they have done in recent years, states will continue to rely on debt issuance as a way to maintain capital spending for needed infrastructure projects and to finance operations. State net-tax supported debt in 2005 should continue to grow at above long-term trend rates.

Despite the rapid growth of state net tax-supported debt in 2004, state debt burdens relative to states' wealth, as measured by personal income, although rising remain low and stable. Strong state debt management practices in most states assure that debt issuance does not contribute to weakened credit quality and support the high level of credit ratings assigned to states.

Related Research

Special Comments:

[2004 State Debt Medians, April 2004, #81876](#)

[Positive Credit Quality Sustained from Year-end 2004, April 2005, #92103](#)

Rating Methodology:

[Moody's State Rating Methodology, November 2004, #89335](#)

Outlook:

[2005 Outlook for State Ratings: Sector Revised to Stable From Negative, February 2005, #91398](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Net Tax-Supported Debt Per Capita			
			Rating
1	Connecticut	\$3,614	Aa3
2	Massachusetts	\$3,372	Aa2
3	Hawaii	\$3,343	Aa3
4	New Jersey	\$2,901	Aa3
5	New York	\$2,593	A1
6	Illinois	\$2,019	Aa3
7	Delaware	\$1,865	Aaa
8	Washington	\$1,598	Aa1
9	California	\$1,545	A3
10	Rhode Island	\$1,373	Aa3
11	Oregon	\$1,351	Aa3
12	Wisconsin	\$1,312	Aa3
13	New Mexico	\$1,301	Aa1
14	Kansas	\$1,170	Aa1*
15	West Virginia	\$1,127	Aa3
16	Mississippi	\$1,116	Aa3
17	Maryland	\$1,064	Aaa
18	Kentucky	\$1,057	Aa2*
19	Florida	\$1,008	Aa1
20	Alaska	\$933	Aa2
21	Ohio	\$866	Aa1
22	Georgia	\$803	Aaa
23	Utah	\$792	Aaa
24	Pennsylvania	\$730	Aa2
25	Vermont	\$716	Aa1
26	Michigan	\$691	Aa2
27	Arizona	\$685	Aa3*
28	North Carolina	\$682	Aa1
29	Minnesota	\$679	Aa1
30	Maine	\$634	Aa2
31	Louisiana	\$617	A1
32	Nevada	\$601	Aa2
33	Virginia	\$589	Aaa
34	South Carolina	\$558	Aaa
35	Alabama	\$523	Aa3
36	Missouri	\$449	Aaa
37	New Hampshire	\$457	Aa2
38	Indiana	\$415	Aa1*
39	Arkansas	\$392	Aa2
40	Colorado	\$347	NGO**
41	Oklahoma	\$306	Aa3
42	Texas	\$279	Aa1
43	Montana	\$274	Aa3
44	South Dakota	\$245	NGO**
45	Wyoming	\$239	NGO**
46	Tennessee	\$209	Aa2
47	North Dakota	\$160	Aa2*
48	Idaho	\$154	Aa2*
49	Iowa	\$130	Aa1*
50	Nebraska	\$42	NGO**
MEAN:		\$999	
MEDIAN:		\$703	
Puerto Rico		***\$6,812	Baa1
* Issuer Rating (No G.O. Debt) ** No General Obligation Debt ***This figure is not included in any totals, averages, or median calculations but is provided for comparison purposes only.			

Net Tax-Supported Debt as a % of 2003 Personal Income		
1	Hawaii	11.1%
2	Massachusetts	8.5%
3	Connecticut	8.5%
4	New Jersey	7.4%
5	New York	7.2%
6	Illinois	6.2%
7	Delaware	5.5%
8	New Mexico	5.3%
9	Washington	4.9%
10	Mississippi	4.8%
11	Oregon	4.7%
12	California	4.7%
13	West Virginia	4.6%
14	Wisconsin	4.3%
15	Rhode Island	4.3%
16	Kansas	4.0%
17	Kentucky	4.0%
18	Florida	3.4%
19	Utah	3.2%
20	Ohio	2.9%
21	Maryland	2.9%
22	Alaska	2.8%
23	Georgia	2.8%
24	Arizona	2.6%
25	North Carolina	2.5%
26	Louisiana	2.4%
27	Vermont	2.3%
28	Pennsylvania	2.3%
29	Michigan	2.2%
30	Maine	2.2%
31	South Carolina	2.2%
32	Minnesota	2.0%
33	Alabama	2.0%
34	Nevada	2.0%
35	Virginia	1.8%
36	Arkansas	1.6%
37	Missouri	1.5%
38	Indiana	1.4%
39	New Hampshire	1.3%
40	Oklahoma	1.2%
41	Montana	1.1%
42	Colorado	1.0%
43	Texas	1.0%
44	South Dakota	0.9%
45	Wyoming	0.7%
46	Tennessee	0.7%
47	Idaho	0.6%
48	North Dakota	0.6%
49	Iowa	0.5%
50	Nebraska	0.1%
MEAN:		3.2%
MEDIAN:		2.4%
Puerto Rico		**56.7%
** This figure is based on 2004 personal income. It is not included in any totals, averages, or median calculations but is provided for comparison purposes only.		

Total Net Tax Supported Debt (000's)			Rating
1	California	\$55,452,000	A3
2	New York	\$49,864,000	A1
3	Illinois	\$25,672,456	Aa3
4	New Jersey	\$25,236,000	Aa3
5	Massachusetts	\$21,637,992	Aa2
6	Florida	\$17,538,400	Aa1
7	Connecticut	\$12,662,005	Aa3
8	Ohio	\$9,922,638	Aa1
9	Washington	\$9,911,962	Aa1
10	Pennsylvania	\$9,052,000	Aa2
11	Wisconsin	\$7,230,284	Aa3
12	Georgia	\$7,090,755	Aaa
13	Michigan	\$6,987,100	Aa2
14	Texas	\$6,270,830	Aa1
15	Maryland	\$5,915,900	Aaa
16	North Carolina	\$5,824,194	Aa1
17	Oregon	\$4,856,154	Aa3
18	Virginia	\$4,390,377	Aaa
19	Kentucky	\$4,382,953	Aa2*
20	Hawaii	\$4,221,444	Aa3
21	Arizona	\$3,937,321	Aa3*
22	Minnesota	\$3,465,313	Aa1
23	Mississippi	\$3,239,310	Aa3
24	Kansas	\$3,200,440	Aa1*
25	Louisiana	\$2,784,934	A1
26	Missouri	\$2,585,785	Aaa
27	Indiana	\$2,585,759	Aa1*
28	New Mexico	\$2,475,685	Aa1
29	Alabama	\$2,368,133	Aa3
30	South Carolina	\$2,342,109	Aaa
31	West Virginia	\$2,045,563	Aa3
32	Utah	\$1,892,333	Aaa
33	Colorado	\$1,598,833	NGO**
34	Delaware	\$1,548,649	Aaa
35	Rhode Island	\$1,483,901	Aa3
36	Nevada	\$1,402,194	Aa2
37	Tennessee	\$1,230,693	Aa2
38	Oklahoma	\$1,078,841	Aa3
39	Arkansas	\$1,078,287	Aa2
40	Maine	\$835,490	Aa2
41	Alaska	\$611,400	Aa2
42	New Hampshire	\$594,362	Aa2
43	Vermont	\$444,682	Aa1
44	Iowa	\$382,720	Aa1*
45	Montana	\$254,332	Aa3
46	Idaho	\$214,619	Aa2*
47	South Dakota	\$189,086	NGO**
48	Wyoming	\$121,132	NGO**
49	North Dakota	\$101,554	Aa2*
50	Nebraska	\$72,701	NGO**
Totals		\$340,285,605	
Puerto Rico		***\$26,533,000	Baa1
* Issuer Rating (No G.O. Debt) ** No General Obligation Debt *** This figure is not included in any totals, averages, or median calculations but is provided for comparison purposes only.			

Gross Tax Supported Debt (000's)			Gross to Net Ratio
1	California	\$61,715,000	1.11
2	New York	\$49,982,000	1.00
3	New Jersey	\$29,754,000	1.18
4	Massachusetts	\$26,558,092	1.23
5	Illinois	\$26,137,406	1.02
6	Michigan	\$20,787,100	2.98
7	Connecticut	\$20,094,835	1.59
8	Florida	\$17,772,700	1.01
9	Washington	\$13,711,962	1.38
10	Pennsylvania	\$12,023,000	1.33
11	Oregon	\$11,169,927	2.30
12	Minnesota	\$10,177,463	2.94
13	Ohio	\$10,046,783	1.01
14	Texas	\$9,620,304	1.53
15	Wisconsin	\$9,468,017	1.31
16	Virginia	\$8,243,043	1.88
17	Colorado	\$7,558,833	4.73
18	Georgia	\$7,090,755	1.00
19	Hawaii	\$6,074,367	1.44
20	Alabama	\$6,024,322	2.54
21	Maryland	\$5,916,800	1.00
22	North Carolina	\$5,824,194	1.00
23	South Carolina	\$5,121,061	2.19
24	Utah	\$5,113,840	2.70
25	Maine	\$4,620,757	5.53
26	Kentucky	\$4,327,100	1.02
27	Indiana	\$4,265,367	1.65
28	Arizona	\$4,203,921	1.07
29	Tennessee	\$3,664,560	2.98
30	Arkansas	\$3,626,012	3.36
31	Louisiana	\$3,550,262	1.27
32	Mississippi	\$3,239,310	1.00
33	Kansas	\$3,200,440	1.00
34	West Virginia	\$3,091,152	1.51
35	Alaska	\$2,996,565	4.90
36	New Mexico	\$2,875,585	1.16
37	Nevada	\$2,844,814	2.03
38	Missouri	\$2,656,445	1.03
39	Delaware	\$2,133,947	1.38
40	Rhode Island	\$1,870,105	1.26
41	New Hampshire	\$1,868,246	3.14
42	Iowa	\$1,805,341	4.72
43	Oklahoma	\$1,133,739	1.05
44	Vermont	\$1,049,869	2.36
45	North Dakota	\$696,644	6.86
46	Idaho	\$605,209	2.82
47	South Dakota	\$453,643	2.40
48	Montana	\$389,183	1.53
49	Wyoming	\$121,132	1.00
50	Nebraska	\$83,931	1.15
Totals		\$447,479,621	1.32
Puerto Rico		**\$29,467,000	1.11
** This figure is not included in any totals, averages, or median calculations but is provided for comparison purposes only.			

Net Tax-Supported Debt as a Percentage of Personal Income														
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Alabama	2.4	2.2	2.0	2.0	1.8	1.9	1.7	1.5	2.3	2.2	2.2	2.2	2.0	2.0
Alaska	2.5	2.6	2.4	1.2	0.9	0.9	0.5	0.0	1.0	0.4	0.4	0.3	3.0	2.8
Arizona	1.6	1.8	1.6	2.7	2.4	2.1	1.9	1.9	1.6	1.6	1.9	2.1	2.3	2.6
Arkansas	0.7	0.7	0.7	0.6	0.7	0.6	0.8	0.6	0.9	1.2	1.2	1.4	1.8	1.6
California	2.0	2.5	3.0	3.5	2.8	2.6	2.6	2.6	2.4	2.5	2.5	2.5	3.2	4.7
Colorado	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.03	0.4	0.7	0.9	0.9	1.0
Connecticut	8.7	8.9	9.1	9.6	9.7	9.4	8.7	8.7	8.1	8.0	8.0	8.2	8.4	8.5
Delaware	8.1	7.5	8.0	8.0	7.6	6.4	5.9	5.7	5.2	5.5	5.3	5.0	5.6	5.5
Florida	2.2	2.3	2.9	3.0	2.9	3.0	3.4	3.5	3.4	3.3	3.4	3.5	3.5	3.4
Georgia	2.5	2.9	3.0	3.1	3.3	3.1	2.9	2.9	2.8	2.6	2.9	2.9	2.9	2.8
Hawaii	10.2	10.4	12.1	10.5	10.3	10.9	10.7	11.2	11.6	11.0	10.4	10.9	10.4	11.1
Idaho	0.3	0.4	0.3	0.3	0.3	0.3	0.2	0.4	0.4	0.3	0.4	0.3	0.5	0.6
Illinois	2.7	2.7	3.0	3.2	3.2	2.9	2.7	2.6	2.6	2.7	2.8	3.2	5.8	6.2
Indiana	0.7	1.0	1.0	1.0	0.9	0.9	0.8	0.9	0.9	1.1	1.1	1.1	1.3	1.4
Iowa	0.2	0.4	0.4	0.6	0.6	0.6	0.5	0.5	0.4	0.4	0.6	0.6	0.5	0.5
Kansas	0.5	1.3	2.0	2.1	2.0	1.9	1.7	2.0	2.4	3.1	3.0	3.0	3.3	4.0
Kentucky	4.7	5.1	5.0	4.7	5.1	4.1	3.9	3.7	3.5	4.4	4.3	4.4	4.4	4.0
Louisiana	6.5	6.3	5.9	5.4	4.9	4.4	2.6	2.6	2.4	2.5	2.4	2.7	2.6	2.4
Maine	2.2	2.7	2.6	2.7	2.7	2.6	1.9	1.9	2.1	2.0	1.9	1.8	1.8	2.2
Maryland	3.4	3.3	3.3	3.5	3.4	3.3	3.1	3.3	3.0	2.6	2.6	2.8	3.0	2.9
Massachusetts	8.0	8.5	8.2	8.4	8.3	8.1	7.8	7.8	8.0	8.5	8.5	8.5	8.5	8.5
Michigan	1.2	1.6	1.5	1.5	1.5	1.5	1.6	1.7	1.5	1.6	1.5	1.8	2.2	2.2
Minnesota	2.2	2.2	2.0	1.9	1.9	2.2	1.9	2.0	1.9	1.8	1.8	1.9	2.0	2.0
Mississippi	1.8	1.8	2.1	2.0	3.0	2.9	3.5	4.4	4.7	4.6	4.7	5.6	5.2	4.8
Missouri	1.3	1.3	1.2	1.2	1.3	1.3	1.0	1.0	1.0	1.1	1.3	1.3	1.6	1.5
Montana	2.2	2.1	1.9	3.2	2.4	1.4	1.4	1.7	1.7	1.7	1.6	1.4	1.3	1.1
Nebraska	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Nevada	2.9	2.7	2.2	2.1	2.0	1.8	1.6	1.8	1.8	1.8	1.7	1.4	2.0	2.0
New Hampshire	2.5	2.7	2.9	2.9	2.9	2.5	2.4	2.3	2.0	1.5	1.5	1.4	1.5	1.3
New Jersey	2.2	3.0	2.9	3.7	3.6	3.8	5.1	5.2	5.3	5.5	5.6	5.5	5.9	7.4
New Mexico	1.8	1.7	2.1	2.1	2.1	2.0	1.9	2.6	3.1	4.0	4.0	3.7	4.1	5.3
New York	5.6	6.1	6.4	6.6	6.9	6.7	6.5	6.6	6.4	6.2	5.9	5.9	6.7	7.2
North Carolina	0.6	0.6	0.6	0.8	0.7	0.7	1.0	1.2	1.4	1.4	1.4	1.6	2.0	2.5
North Dakota	1.2	1.2	1.1	1.1	1.1	1.0	0.8	0.6	0.7	0.9	0.9	0.9	0.9	0.6
Ohio	2.4	2.5	2.5	2.4	2.5	2.5	2.5	2.7	2.7	2.6	2.6	2.6	2.7	2.9
Oklahoma	0.4	0.4	1.0	1.0	0.8	0.9	0.8	1.2	1.3	1.4	1.3	1.2	1.2	1.2
Oregon	1.5	1.1	1.2	1.2	1.4	1.9	1.2	1.2	1.3	1.6	1.5	1.6	4.5	4.7
Pennsylvania	2.7	2.6	2.7	2.6	2.4	2.2	2.0	2.3	2.2	2.2	2.3	2.3	2.2	2.3
Rhode Island	6.1	8.8	8.9	8.7	8.5	8.7	6.6	6.5	6.2	5.3	5.2	5.0	4.4	4.3
South Carolina	1.8	1.9	1.6	1.7	1.6	1.6	1.6	1.6	1.6	1.8	2.5	2.4	2.4	2.2
South Dakota	2.2	2.3	2.3	2.1	1.8	1.8	1.5	1.5	1.5	1.2	0.9	0.7	0.9	0.9
Tennessee	1.0	0.8	0.8	0.9	0.9	0.9	0.9	1.0	1.0	1.2	0.9	0.8	0.8	0.7
Texas	1.2	1.1	1.2	1.6	1.7	1.5	1.4	1.3	1.2	1.0	0.9	0.9	0.8	1.0
Utah	1.6	1.7	1.6	1.7	1.8	1.7	3.1	3.6	3.3	2.8	3.0	2.9	3.5	3.2
Vermont	4.5	4.6	4.5	4.7	4.9	4.7	4.2	4.2	3.8	3.3	3.0	3.0	2.5	2.3
Virginia	1.2	1.3	1.6	1.7	1.6	1.7	2.1	2.0	2.1	1.9	1.8	1.7	1.7	1.8
Washington	4.4	5.0	5.0	5.0	4.8	5.0	4.8	4.6	4.6	4.4	4.4	4.8	4.9	4.9
West Virginia	4.7	3.4	3.1	2.5	2.6	2.7	2.8	3.4	3.3	4.2	4.0	4.1	3.6	4.6
Wisconsin	2.7	3.1	3.0	3.0	2.9	3.2	2.8	2.8	2.7	3.2	3.0	3.3	4.5	4.3
Wyoming	0.0	0.0	0.5	0.4	0.4	0.7	0.7	1.0	1.0	1.0	1.4	0.9	0.8	0.7
Median	2.2	2.2	2.1	2.1	2.1	2.1	1.9	2.0	2.2	2.1	2.3	2.2	2.4	2.4

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Report Number: 92494

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